ECONOMIC DEVELOPMENT COMMITTEE

DATE: November 23, 2009

CALLED TO ORDER: 5:30 p.m.

ADJOURNED: 7:06 p.m.

ATTENDANCE

ATTENDING MEMBERS	ABSENT MEMBERS
Jeff Cardwell, Chair	
Jose Evans	
Barbara Malone	
Michael McQuillen	
Doris Minton-McNeill	
Mary Moriarty Adams	
Ryan Vaughn	

AGENDA

PROPOSAL NO. 407, 2009 - approves the statement of benefits of Bucher and Christian Consulting, Inc., which is an applicant for tax abatement for property located in an economic revitalization area
"Do Pass" Vote: 6-0

PROPOSAL NO. 408, 2009 - approves the guaranty of the yield on low income tax credits in order to enable the sale of such low income tax credits by the Indianapolis Housing Agency for rehabilitation projects in the City to be developed by its non-profit arm Partners for Affordable Housing, Inc.
"Postponed" Vote: 7-0

PROPOSAL NO. 409, 2009 - an inducement resolution for GMF-Berkley Commons, LLC in an amount not to exceed $22,500,000 for the acquisition, renovation and equipping of an existing 544-unit multifamily housing residential rental project known as the Berkley Commons Apartments, 8201 S. Madison Avenue (District 24)
"Do Pass" Vote: 6-1

ECONOMIC DEVELOPMENT COMMITTEE

The Economic Development Committee of the City-County Council met on Monday, November 23, 2009. Chair Jeff Cardwell called the meeting to order at 5:30 p.m. with the following members present: Jose Evans, Michael McQuillen, Doris Minton-McNeill Mary Moriarty Adams and Ryan Vaughn. Arriving shortly thereafter was Barbara Malone. Also in attendance was General Counsel Robert Elrod.

PROPOSAL NO. 407, 2009 - approves the statement of benefits of Bucher and Christian Consulting, Inc., which is an applicant for tax abatement for property located in an economic revitalization area

Stephanie Quick, Assistant Administrator, Department of Metropolitan Development (DMD), stated that last year, state law was passed which requires Council approval in addition to approval from the Metropolitan Development Commission (MDC) for tax abatements that are located in an allocation area. She said that Bucher and Christian Consulting fall into that category. Bucher and Christian is located at 10 West Market Street in Center Township, which is located in Council District 15, Councillor Minton-McNeill's district.

Ms. Quick stated that tax abatements are tools that DMD uses to attract and retain jobs and investments in Indianapolis. She said that tax abatements do not mean that a company does not pay any property taxes. The company will continue to pay the taxes they have always paid. Ms. Quick stated that in order to receive that tax abatement, a company is required to make a new investment. It is then only applied to that increased investment. She said that the amount of the abatement is defined by state guidelines and decreases each year until the end of the abatement period. Ms. Quick stated that at the end of the abatement period, the company begins to pay the full taxes that are due.

Ms. Quick stated that Bucher and Christian is an information technology consulting firm that provides system development, business intelligence, Microsoft solutions and project management services. She said that continuing to update and improve their infrastructure and application is critical to their ability to compete in the market and meet the demands of their customers. Ms. Quick stated that in the past three years, the company has added nearly 150 employees, including 50 in Indianapolis within the last year. She said that Bucher and Christian is proposing to make a substantial investment in both capital and personnel in order to move work to its Indianapolis headquarters. Ms. Quick stated that the City is recommending the ten-year personal property tax abatement for the company investment of $600,000 in information technology related equipment, the retention of 267 jobs at an average wage of $55 per hour, and the creation of an additional 200 jobs at an average wage of $63 per hour. She said that the value of the ten-year abatement is estimated just over $40,000 over the life of the abatement.

Councillor Minton-McNeill asked if the 267 jobs will be permanent. Ms. Quick answered in the affirmative. Councillor Minton-McNeill asked why the company is asking for this abatement. Ms. Quick stated that the abatement is for the information technology equipment, and right now, the company is performing their work at their client facilities all around the world. She said that the company wants to do their work at their Indianapolis headquarters as opposed to outsourcing jobs. Councillor Minton-McNeill asked if this abatement is for ten years at $600,000. Ms. Quick stated that the equipment itself is $600,000, and the abatement is valued at $40,000 over a ten-year period. Councillor Minton-McNeill asked what their target is for Minority and Women Owned Businesses (MBE/WBE), and if they have been included in job solicitation. Ms. Quick stated that she does not have that particular information. She introduced Finton Strickland, Attorney, Baker and Daniels, representing Bucher and Christian, to answer Councillor Minton-McNeill's question. Mr. Strickland stated that he also does not have that information. Ms. Quick stated that she wanted to clarify some information so that Mr. Strickland could provide the right information to Councillor Minton-McNeill. She said that the $600,000 investment is for personal property equipment, and not for real property investment, so there will not be any construction-related jobs. She said that the 200 new jobs that they are hiring will be company employees.

Councillor Vaughn stated that Bucher and Christian itself is an MBE/WBE certified company, and the owner and operator is an African-American male. He said that they are certified by the state as an MBE/WBE company in and of itself.

Councillor Moriarty Adams asked what the boundaries for the revitalization area will be. Ms. Quick stated that the boundaries will be just the site itself located at 10 West Market Street and will not go outside the property.

Councillor Evans stated that he thought that the City was not going to designate any more revitalization areas for awhile. Ms. Quick answered in the negative, stating that she is not sure if Councillor Evans is referring to Tax Increment Financing (TIF) districts, but economic revitalization areas are tied directly to tax abatements, and the city is required to declare an area an economic revitalization area in order to grant the tax abatement.

Councillor Moriarty Adams moved, seconded by Councillor McQuillen, to send Proposal No. 407, 2009 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 6-0.

<u>PROPOSAL NO. 408, 2009</u> - approves the guaranty of the yield on low income tax credits in order to enable the sale of such low income tax credits by the Indianapolis Housing Agency for rehabilitation projects in the City to be developed by its non-profit arm Partners for Affordable Housing, Inc.

{Clerk's Note: Councillor Malone arrived at 5:42 p.m.}
Bruce Baird, Director of Strategic Development, Indianapolis Housing Agency (IHA), stated that IHA was built in Indianapolis in the late 1960s. He said that through the 1960s and 1970s, public housing struggled. The main issue that public housing and many communities were faced with was inadequate funds to maintain the properties. Mr. Baird stated that affordable housing was moving into a realm where the Low Income Housing Tax Credit program became the main generator of funds to upgrade housing and to build new and affordable housing. He said that this program was established by Congress in 1986. He said that many not-for-profit and private developers started using this program. Mr. Baird stated that the program was designed to serve working families with between 50% to 60% of the area median incomes (AMI). He said that the rules then would not allow the tax credit program to work with public housing.

Mr. Baird stated that in the mid 1990s, Congress changed the rules and policies of the housing authority and allowed them to use the low income housing tax credit program. He said that for the first time, public-private partnerships began, and IHA was able to work with a developer to complete the Red Maple Grove and the Georgetown developments. Mr. Baird stated that this opportunity gave IHA a partnership with the City of Indianapolis. He said that through the vested partnership, the City was interested in crime reduction, blight removal, increase in real estate tax base and providing quality and affordable housing.

Mr. Baird stated that through the city and IHA, their partnership is focused on development outcomes. He said that IHA cares about the neighborhoods and relies on quality amenities and services, energy efficiency and new developments at human scale. Mr. Baird stated that IHA has had success in securing and applying mixed source financing, having a unique structure and access to public housing. Mr. Baird stated that this year, IHA is ready to continue the project Welcome Home.

Mr. Baird distributed a handout detailing some information about the Welcome Home project (attached as Exhibit A). Some key points include:

- Substantial renovation of 1,386 public housing and project-based Section 8 units
- Preservation and upgrade of current homes for 3,156 of the city's most vulnerable families
- Key investments in failing mechanicals
- Rehabilitation of common spaces

Mr. Baird stated that the total development costs are estimated to be $75.5 million. He said that IHA will use the mixed source financing, including four Low Income Housing Tax Credit applications. Mr. Baird stated that there is an extreme need for units that serve low income families that are primarily below 30% of the AMI. He said that there is an excess need in the number of available units by approximately 14,000, and there is a deteriorating stock of housing for persons in and outside of Center Township.

Mr. Baird stated that Phase I on this development includes four different communities; Blackburn, Twin Hills, Rowney and Laurelwood, and will continue through 2009 into 2010. He said that Phase II tax credits will be applied for next year, and the work will take place in 2010 through 2011 for Barton and Lugar Towers, Beechwood Gardens and Hawthorne Terrace, for a total of 1,395 units that will be completely upgraded.

Mr. Baird stated that the work that will be undertaken is upgrading failing mechanical equipment, repairing and renovating units and common spaces, improving energy efficiency, modernizing security systems, and upgrading and adding landscaping. He said that there will be 74 new units built at the base of Lugar Towers. Mr. Baird stated that the reason they are embarking on such a large capital improvement program is that the economies of scale are a key advantage. The size of the project attracts larger, more qualified contractors, creates significant construction jobs and lowers IHA's cost per unit.

Jeffery Whiting, Executive Vice President, City Real Estate Advisors, stated that the staff at IHA has done a wonderful job at being proactive in looking at the problems that they see in the housing stock and coming up with a plan that remedies a lot of the problems. He said that these funds are federal dollars. They are not coming before the committee asking for taxpayer money from the City or County. Mr. Whiting stated that there are a little over 500 units that will be worked on. He said that he anticipates all of the projects to be done by the end of 2010.

Mr. Whiting stated that the permanent funding sources include Federal Low Income Housing Tax Credits, Seller Financing, and asking IHA to provide a Tax Credit Assistance Program Funds (TCAP) of approximately $12 million dollars. Mr. Whiting stated that this is the largest allocation of tax credits that has ever been allocated to one entity. He said that City Real Estate is bringing in roughly $20 million dollars in private equity to the City based upon the federal tax credits. Mr. Whiting stated that the dollars that will be coming into the community are estimated at $49.5 million in total economic impact from direct, indirect and induced expenditures.

Mr. Whiting stated that IHA and City Real Estate Advisors got together and started talking about how to best market Indianapolis and IHA. He said that they looked at a way to attract private equity into Indianapolis that otherwise would not come with a city guaranty. He said that they are asking to put a guaranty of a yield in the amount of $1.5 million on this investment, so that private equity will come into Indianapolis.

Chair Cardwell asked what the rate of return on the yield is. Mr. Whiting stated that they are projecting a minimum guaranty of 15%. Chair Cardwell asked how that compares to the bond markets. Mr. Whiting stated that bond markets are not relevant. Chair Cardwell stated that 15% return is a high return on investment. Mr. Whiting stated that it is equity. Chair Cardwell asked if Mr. Whiting feels that is a reasonable return. Mr. Whiting answered in the affirmative.

Chair Cardwell asked if Mr. Whiting has spoken with Council Chief Financial Officer (CFO) Jim Steele about some of the numbers. Mr. Whiting answered in the affirmative. Chair Cardwell stated that running some of Mr. Steele's projections, it shows that the investors get to reclaim the depreciation, as well. Mr. Whiting answered in the affirmative. Chair Cardwell asked if the yield will be 25% at that particular point. Mr. Whiting stated that in order for them to structure the financing, there had to be a safety net for the City. He said that in a typical guaranty yield, there is a true-up. A true-up occurs when the project units are placed in service. He said that a typical guarantor will say they will pay a fee to guaranty the yield. Mr. Whiting stated that if the yield goes below 15%, cash will be paid to equal the 10% yield; and if it goes over 15%, the guarantor will expect money from the City because they are delivering more.

David Reynolds, City Controller, Office of Finance and Management (OFM), thanked IHA for bringing this proposal forward and bringing a plan that would provide some additional resources to address some of the affordable housing that is needed in the area. He said that OFM has been in communication with IHA over the last three weeks. Mr. Reynolds stated that they have had some very good discussion about trying to understand what this guaranty would mean to the city as far as the risks. He said that they need to make sure what those risks are and make the decision fully recognizing what those risks are. Mr. Reynolds stated that they need to understand what the implications are on the financial statements that are put out each year, whether or not there are disclosures that will be necessary for this particular transaction. He said that it has been explained to him that Indianapolis might be the first city to embark down this type of transaction in puts the City's credit rating behind this deal, and that deserves their due diligence to look at that and make sure they fully understand what that means and any implications.

Chair Cardwell stated that he appreciates all of the hard work that is being done to have affordable housing. He said that there have been a number of concerns to consider.

Councillor Malone asked about the effect the school desegregation consent decree has on the housing agency at this time. Mr. Baird stated that he understands that they can proceed with renovations and rehabilitation of the existing properties and can grow the agency. He said that he understands that the order has expired and the rules that governed that previously are no longer in effect. Rufus "Bud" Myers, Executive Director, IHA, stated that he will have to confer with counsel before he gives a definite answer; however, they are able to renovate and improve existing housing that they have within the city without issues. He said that the issue in the consent decree was the creation of additional units of housing, and he will have to talk with legal counsel in order to provide a specific answer. Councillor Malone stated that the order was only regarding additional housing within Indianapolis Public School (IPS) district, not outside. Mr. Myers agreed. Councillor Malone asked for the last time IHA was on Housing and Urban Development (HUD)'s troubled agency list. Mr. Myers stated that it was in 2006.

Councillor Malone stated that normally in a setting where someone is asking for guarantees, these buildings would be fully collateralized and they would not be asking anyone to help finance beyond what the buildings are valued at. She asked why they need the city's good name and credit. Mr. Whiting stated that it opens up an investor world for this project. Councillor Malone stated that the properties included in the deal are very aged properties. She asked if a prudent real estate investor would invest in these properties and not rebuild them or rebuild them somewhere else. She asked if they could build new units from the ground up at the same price. Mr. Baird stated that with the HUD program, IHA is under obligation to continue to own and operate the properties. He said that HUD continues to give funding for repairs and they are being kept up very well, with limited resources in some cases. He said that they can demolish, sell and build elsewhere in some cases but in many cases, they cannot. Mr. Baird stated that with that mandate, they have to figure out how to keep the properties maintained and do the work that is required.

Chair Cardwell asked what the total risk is for the city and the taxpayers in a worst case scenario for the guaranty fee of $1.5 million. Mr. Whiting stated that he does not have the figures in front of him and does not want to give an inaccurate number on the record; he would rather submit that in writing. Chair Cardwell asked for some type of round figure. Mr. Whiting stated that he is not prepared to say.

Councillor McQuillen asked what additional safeguards are in place to protect the investments of those units. Mr. Myers stated that the funds HUD provides to IHA for operating costs will be used for those safeguards. He said that they are planning to upgrade their public safety component of that, using part-time Indianapolis Metropolitan Police Department officers (IMPD) to aid them in that effort. He said that they are also looking for funds and working with partners to have better resources available so that they can show their residents the correct way to maintain their unit. Mr. Myers stated that they are training maintenance workers on the proper care of the different equipment in the units. Councillor McQuillen asked if the IMPD officers will be on or off the clock. Mr. Myers stated that they will be on IHA's clock and off of the city's clock.

Chair Cardwell stated that on the project financing breakdown, there is construction cost of $18 million dollars, construction contingency cost of $1.5 million and other contingencies at $1.6 million. He asked why that is. Mr. Whiting stated that for any construction project, a developer wants to have enough money on the table to complete the project, so if they run into things that they did not anticipate, they have enough to cover. Mr. Whiting stated that he would have to look at those other contingency numbers, because it sounds like it could be soft cost, legal fees or additional reserves.

Don Harris, citizen, stated that this proposal is a bad idea. The old buildings should be torn down and new ones built. Mr. Harris stated that this city is falling apart, houses are boarded up and empty lots are everywhere, and he does not think that those houses should be renovated.

Councillor Nytes stated that she represents the area where a couple of the complexes are and she appreciates the difficulty of processing these numbers. She said that tax credit projects are extremely complicated, even when the economy is good. These tax projects are difficult, and yet it is one of the very few tools that are out there to renovate low income houses. Councillor Nytes stated that she commends IHA at finding some way to come up with the kind of funds that it takes to breathe new life into these properties. She said that she is very appreciative of the decision not to tear those complexes down. Councillor Nytes stated that the committee may want to take more time on this issue and clarify questions from a financing standpoint. She said that there is a time sensitivity to this issue, because the people that live in these houses are anxious to see the repairs done.

Councillor McQuillen moved, seconded by Councillor Moriarty Adams, to "Postpone" Proposal No. 408, 2009. The motion carried by a vote of 7-0.

Chair Cardwell asked if there is a specific timeframe for the tax credits. Mr. Whiting stated that the first project will be completed mid-year in 2010. He said that if this proposal can be put through within the next three weeks, it would be helpful. Chair Cardwell stated that they will schedule a special meeting in December.

PROPOSAL NO. 409, 2009 - an inducement resolution for GMF-Berkley Commons, LLC in an amount not to exceed $22,500,000 for the acquisition, renovation and equipping of an existing 544-unit multifamily housing residential rental project known as the Berkley Commons Apartments, 8201 S. Madison Avenue (District 24)

Jim Crawford, Attorney, Kreig DeVault, and General Counsel for the Economic Development Commission (EDC), stated that this project went before the EDC on November 11, 2009, at which time the inducement resolution was recommended to the committee. He said that these bonds are the same kind that have been seen before for affordable housing projects. He said that they are not a general obligation of the city and there are no tax revenues or other revenues that the city has pledged to repay these bonds. Mr. Crawford stated that this project, like the other two that Global Ministries Foundation (GMF) has in Indianapolis, because they are a 501 (c) 3, and will have a Payment In Lieu of Taxes (PILOT) agreement. The PILOT agreement for Mann Village and Stonekey are at 40% of what the taxes will be. He said that Councillor Speedy has asked, in conversation with Richard Hamlet, Chief Executive Officer (CEO), GMF, that this project has a 50% PILOT agreement. Mr. Crawford stated that if this proposal is approved, it will go back to the EDC for final approval of the financing documents, which will include the actual PILOT agreement negotiations.

Mr. Hamlet stated that the project they are considering consist of 544 units. He said that the first thing he did was to contact Councillor Speedy to meet with him to discuss the project. He said that Councillor Speedy has given his endorsement for this project, subject to the 50% PILOT agreement. Mr. Hamlet stated that one of the things that is exciting about this property is that they will have the opportunity to upgrade the standard of living for many low-to-moderate income residents that live at the property. He said that one of their goals is to have a voluntary job training workshop onsite. He said that their goal is for their residents to become more educated and equipped to become more productive citizens within the metropolitan area. Mr. Hamlet stated that 80% of the area income is their threshold as far as how HUD defines low-income residents. He said that they have quite a bit of room within their profile for those who are there to have job training and education, to allow them to get a higher paying job and still be able to stay at the property.

Mr. Hamlet stated that part of their plan is to have a comprehensive social service program at no cost to the resident. He said that the property has benefited from a major renovation in the last four years, and some repairs are being done up front for some of the immediate needs. Mr. Hamlet stated that they anticipate that their sponsorship and ownership of this property will enhance the whole community because of added security and professional management.

Ms. Quick stated that usually when DMD sees a project like this, they are coming in for acquisition and rehab of the development. She said that this particular project does not involve h a lot of rehab. Ms. Quick stated that the site is in very good condition and that left the project with more acquisition. She said the discussion was that the administration is fine with the acquisition, as opposed to a 501 (c) 3 acquiring the property and taking it off the tax rolls. They are in negotiations with GMF to allow the city to capture at least 50% of the taxes. Ms. Quick stated that the taxes are a little over $500,000, and the city will get at least 50% of those taxes back. Ms. Quick stated that with regards to the social services program, there was some concern over the tracking of those projects moving forward.

Councillor Vaughn asked how they arrived at the 40% traditionally, and 50% with this project with regards to PILOT. Tyler Klosnick, Bond Counsel for Ice Miller, stated that in negotiations with the city, it was the size of the project that allowed for the increase; whereas in the past, the projects were not half the size of this one. Councillor Vaughn asked for an explanation on how the size of a project would affect the percentage payment. Mr. Hamlet stated that it comes down to a capital markets issue. He said that the first property they bought in Indianapolis through Fannie Mae on a taxable basis, was with no bonds and 100% tax free. Mr. Hamlet stated that the 40% PILOT for Mann Village was an amount that was believed to be equitable and fair on the difference between what they would be paying if on a taxable basis versus what their debt service would be on a tax exempt issue.

Councillor Minton-McNeill asked if there is any risk to the city or taxpayers in the event of a default. Mr. Hamlet stated that the city is not obligated, and in case of default, the borrower is responsible. Councillor Minton-McNeill asked if GMF will be targeting MBE/WBE when they start hiring. Mr. Hamlet answered in the affirmative, stating that their goal is 50% minimum.

Councillor Malone stated that looking at the documents GMF submitted, their intent for minority and women owned participation is not indicated. She asked how GMF plans to reach those goals if they are not stated in the documents. Mr. Hamlet stated that he was sure that he included that in those documents. Councillor Malone stated that in the documents the "no" box is checked for Management Company and Attorney for minority participation. Mr. Hamlet stated that their minority participation will be on their construction work and staffing onsite. Councillor Malone stated that their documents are not marked very well. Mr. Hamlet stated that he can send the committee that information, and it was not intentionally left out. Councillor Malone asked if it was their intention, in terms of development contacts, to include the construction. Mr. Hamlet answered in the affirmative. Councillor Malone stated that they were not included. Mr. Hamlet stated that of the jobs that will be provided during the construction period, a percentage of those would be minority workers. Councillor Malone stated that she is referring to minority and women owned businesses not just employment. Chair Cardwell provided the document that states GMF's desire to have at least 50% of the contracted work performed and executed by MBE/WBE companies.

Councillor Malone asked what the existing area median income (AMI) is for this area. Mr. Hamlet stated that a family of four would be $65,000, dialing down by household. He said that they use the HUD published rate.

Councillor Malone stated that there are currently persons living in these units who will meet the AMI, and some will not. She asked if some of those that do not meet the AMI will be displaced. Mr. Hamlet answered in the negative, stating that under their 501 (c) 3 charters; the IRS mandates that they have a minimum of 75% of the housing community that is within 80%. He said that they are not displacing anyone over the 80%, but their goal is to target low income residents. Mr. Crawford stated that to comply with the 75%, at 80% and below, the requirements are that they have a year to be in compliance with that after acquisition, which allows for turn-over with units. As those units vacate, they can put people in that meet the requirements.

Councillor Malone asked if those units are designed for disabled individuals. Mr. Hamlet stated that this property was built before the American Disability Act (ADA) requirements, and he does not believe that they are. Councillor Malone asked if Mr. Hamlet thinks they will come under ADA requirements for these particular units even with the renovations being done. Mr. Hamlet answered in the negative, stating that they are only doing exterior renovations, because the engineering report stated that the interior is in good shape. Councillor Malone stated that she has some concerns that some units are not accessible to those that have disabilities. Mr. Hamlet stated that they are not required under any federal statute to have such on the property. Councillor Malone asked if they are required under the Fair Housing statute. Mr. Hamlet stated that this statute means that an existing property is rented out on a non-discriminated basis. He said that the property meets all of the standards of HUD, and this property has never been under any regulation of any federal subsidy or federal loan insurance program. He said that they are putting the property under the first covenant or deed restrictions that have ever been on the property. Mr. Hamlet stated that the current seller may have done some ADA upgrades to some of the units, and he will check that out.

Councillor Malone asked for some of the demographics of the current occupants. Mr. Hamlet stated that right now, this property has about 15% Asian population and a 50/50 mixed population of African-Americans and Caucasians.

Councillor Evans asked what the current occupancy rate is and if after the renovations, they expect the occupancy rate to go up. Mr. Hamlet stated that the property, as of right now, is 90% occupied. He said that after the renovations, they are expecting 93% to 94% occupancy.

Mr. Harris asked Mr. Hamlet why he thinks he has the right to have tenants participate in employment training. Mr. Hamlet stated that they cannot force anyone to participate in the training. Mr. Harris asked if the tenants would have to move if they do not participate. Mr. Hamlet answered in the negative, stating that all of their programs on social services are at no charge to the tenants. He said that they encourage them to participate to better themselves. Mr. Harris asked how many people are living at the property. Mr. Hamlet stated that there are 490 residents that currently occupy units.

Councillor Moriarty Adams moved, seconded by Councillor McQuillen, to send Proposal No. 409, 2009 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 6-1, with Councillor Malone casting the negative vote.

There being no further business, and upon motion duly made, the meeting adjourned at 7:06 p.m.

Respectfully Submitted,

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JC/lw

Jeff Cardwell, Chair

Exhibit A

Indianapolis Housing Agency

Development Update

Prepared for Economic Development Committee
November 23, 2009

The IHA Team

Rufus "Bud" Myers, Executive Director

Public Housing: Context

1940's – 1960's

- Replace slums with quality housing
- Housing intended to be temporary
- Tenants paid fixed rents

Late 1960's

- Riots after assassination of MLK, Jr.
- Formula for rents established

1970's – 1990's

- Inadequate funds for maintenance
- "Projects" overwhelmed by illegal activities: drugs & gangs
- Decline & isolation of communities

Tax Credits as Tools

Low Income Housing Tax Credits

- Established by Congress in 1986
- Nonprofit & private developers
- Community development movement through creation of affordable housing using credits
- Designed for working families (50 – 60% AMI served well)
- Rules prevent PHA's from using (0 – 30% AMI not well served)

Tax Credits as Tools

Policy & Rules Change

- Mid-1990's
- PHA's allowed to participate
- Mixed finance allowed
- Public-private partnerships

RED MAPLE Grove

THE GEORGETOWN

City & IHA Partnership

City Vested in Partnership

- Crime reduction
- Blight removal
- Increase in real estate tax base
- Quality, affordable housing for lowest income citizens

City & IHA Partnership

Vision & Development Outcomes

- Architecture suits neighborhoods
- Quality amenities & services
- Energy efficiency
- Award winning designs
- New developments at human scale

IHA's Unique Capacity

- Success in securing & applying mixed source financing:
  - Unique for PHA's
  - HUD encourages
- Outstanding development capacity
- Unique institutional structure:
  - Property ownership
  - Housing development
  - Property management
  - Supportive service delivery
- Access to public housing operating subsidy

Current Mixed Finance Projects

IHA is poised to invest in the preservation & upgrade of public housing communities:

Welcome Home

Phase I & Phase II

Welcome Home + New Caravelle

Scope

- Substantial renovation of 1,386 public housing & project-based Section 8 units
- Preservation & upgrade of current homes for 3,156 of the city's near-homeless & most vulnerable families
- Key investments in failing mechanicals
- Rehabilitation of common spaces

Welcome Home

Financing

- Total development cost estimate: $ 75,575,000
- Mixed-source financing
- Includes 4 Low Income Housing Tax Credit applications
- Mixed finance structure is highly innovative for PHA's, is encouraged by HUD, & supports long-term sustainability

Welcome Home

Need

- Housing for extremely low income families (<30% AMI) is greatest housing need for Marion County
- Number of households exceeds number of available units by approximately 14,000
- Deteriorating stock of housing for persons in this income group – in & outside of Center Township

Welcome Home

Need

- IHA's asset management program: quality, long term, financial viability of properties
- IHA's strategic plan: high priority placed on substantial rehabilitation of units
- Partners for Affordable Housing, Inc: non-profit affiliate of IHA serves as developer

Project: *Welcome Home*

- Phase I- 4 communities 2009-10
  - Blackburn & Twin Hills
  - Rowney & Laurelwood
- Phase II- 4 communities 2010-11
  - Barton & Lugar Towers
  - Beechwood & Hawthorne
- 1,395 units
- 4 Tax Credit applications for 8 communities

Project: *Welcome Home*

- Scope of work:
  - Upgrading failing mechanicals
  - Repairing & renovating units
  - Repairing & renovating common spaces
  - Improving energy efficiency
  - Modernizing security systems
  - Upgrading & adding landscaping
- Plus 74 new units constructed at the base of Lugar Tower

Welcome Home

Mixed Finance

- Low Income Housing Tax Credits (private funds/tax credit equity)
- HUD Capital Funds (public housing subsidy)
- Energy Performance Contracting
- Public Housing Operating Subsidy
- American Recovery and Reinvestment Act (ARRA) Funds (federal stimulus)

Welcome Home

Mixed Finance

- Development fees & operating reserves accrue directly to IHA
- Fees & reserves used to fund improved supportive services for residents & operating expenses for properties
- Result is high quality, sustainable, affordable housing

Welcome Home

Critical Aspects

- Economies of scale are key advantage
- Size of project attracts larger, more qualified contractors & lowers IHA's administrative costs
- IHA has demonstrated capacity & success with mixed finance approach that allows for project of this scale

Welcome Home

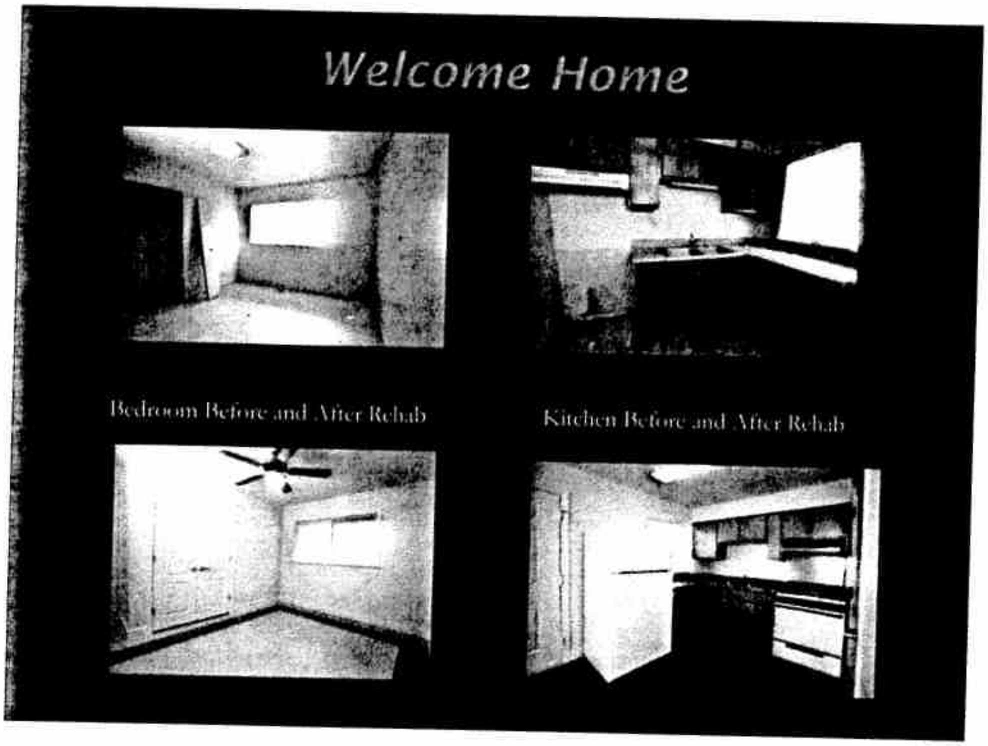
Critical Aspects

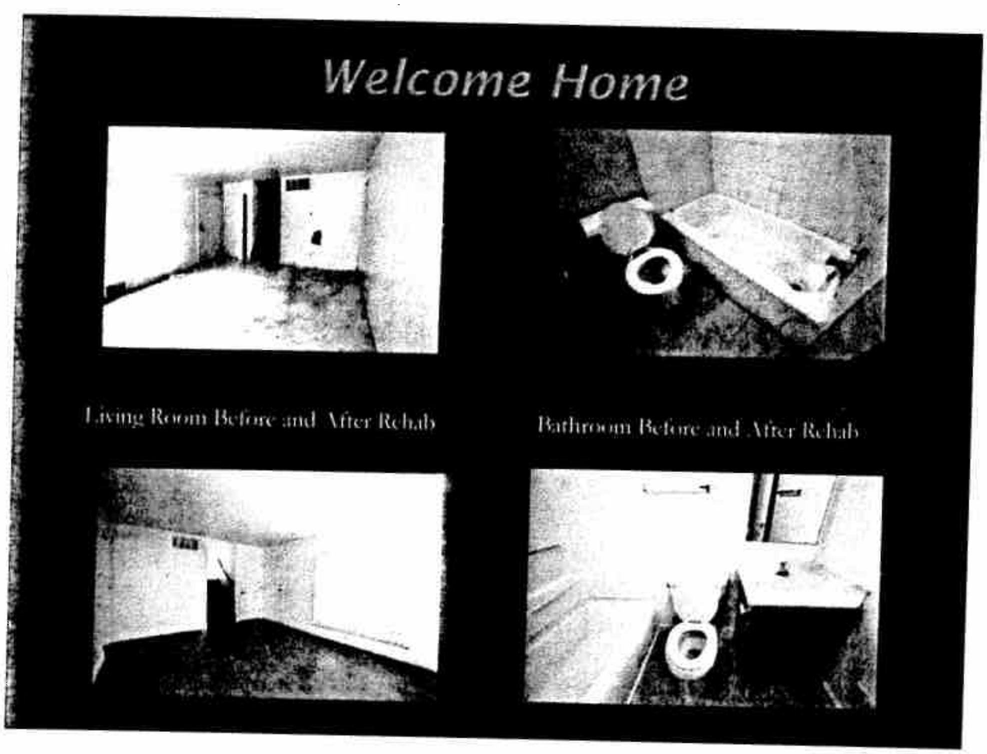
- Use of mixed finance approach to renovate public housing is single most important tool currently available to PHA's
- Approach ensures long term sustainability of quality housing that serves residents through well-financed supportive services
- Need for quality, affordable housing is at all-time high in Indy

Welcome Home

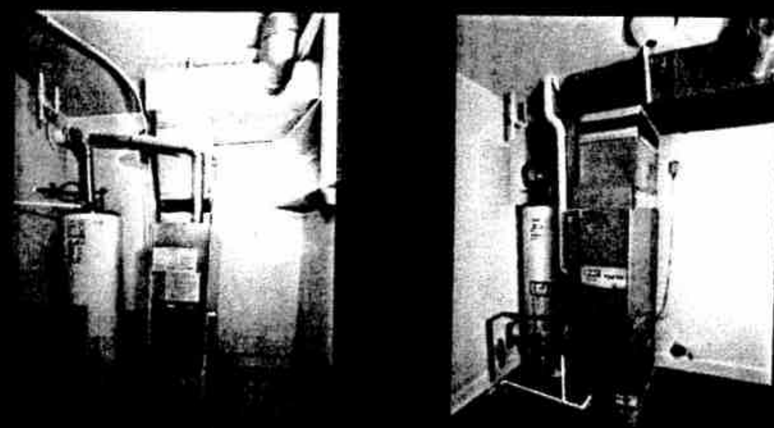
Critical Aspects

- Project will have positive effect on local economic activity at a critical time:
  - Creates significant construction jobs
  - Employs multiple professionals
  - Uses considerable supplies & materials
- Renovations allow IHA's upgraded units to compete with newer developments


Welcome Home
Bedroom Before and After Rehab
Kitchen Before and After Rehab


Welcome Home
Living Room Before and After Rehab
Bathroom Before and After Rehab

Welcome Home



Old vs. New Furnace and Water Heater

City of Indianapolis
Investment Guaranty

WELCOME HOME PROGRAM

November 23, 2009

PROJECT SUMMARY

- Indianapolis Housing Agency's Welcome Home Program
- Substantial Renovation of Four Properties:
  - Laurelwood Apartments - 135 units;
    - 3340 Teakwood Drive
  - Rowney Terrace - 96 units;
    - 1353 South Riley Avenue
  - Twin Hills Apartments - 64 units;
    - 2210 East 36th Street
  - Blackburn Terrace - 243 units;
    - 3091 Baltimore Avenue
- Additional IHA projects in 2010

FINANCING

- Permanent Funding Sources include:
  - Federal Low Income Housing Tax Credits ("LIHTC")
    - Indiana Housing & Community Development Authority ("IHCDA")
    - City Real Estate Advisors ("CREA")
  - Seller Financing
  - Indianapolis Housing Agency Capital Funds
  - Tax Credit Assistance Program Funds ("TCAP")
    - IHCDA to provide $12,000,000 Equity Bridge Loan
  - 1602 Tax Credit Exchange Program Funds ("TCE")
    - IHCDA to provide $2,000,000 permanent source

FINANCING

- Project Level Permanent Sources and Uses Schedule:

SOURCES		
First Mortgage	$	-
Seller Financing	$	9,503,000
IHA Capital Funds	$	5,150,000
TCAP Funds	$	-
1602 TCE Funds	$	2,000,000
GP Capital Contribution	$	200
Cash Flow prior to Breakeven	$	-
CREA SLP, LLC	$	200
Federal LIHTC Equity	$	20,097,790
Deferred Fees	$	2,223,260
TOTAL SOURCES	$	38,974,450
USES		
Land Acquisition Costs	$	9,503,000
Construction Costs	$	18,792,000
Architectural/Survey/Eng.	$	342,790
Capitalized Interest, Taxes and Legal	$	308,300
Cost of Issuance and Permanent Financing	$	30,000
Construction Contingency	$	1,503,360
Reserves	$	3,153,000
Contingencies/Other Costs	$	1,601,000
Developer Fees/Costs	$	3,741,000
TOTAL USES	$	38,974,450

CITY REAL ESTATE ADVISORS, INC.

COMMUNITY IMPACT

- 538 Indianapolis Households affected
- Preserving City's existing housing stock
    - Renovation will modernize units, including, but not limited to, substantial improvements to:
        - Electrical Infrastructure
        - Heating Ventilating and Air Conditioning
        - Kitchens
        - Bathrooms
- Housing serves City's low-income population
    - 100% Subsidized units
    - Tenants pay 30% of income toward utilities and rent

CITY REAL ESTATE ADVISORS, INC.

COMMUNITY IMPACT

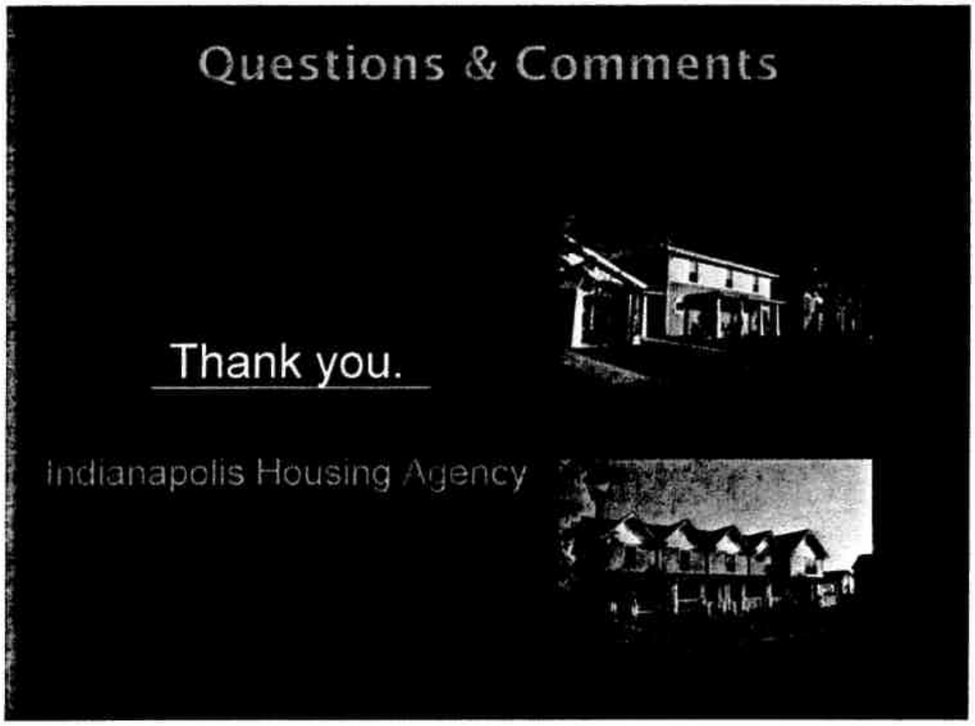
- Economic Stimulus for Marion County
  - Construction
    - Estimated $26 million in direct construction costs.
    - Estimated $49.5 million in total Economic Impact from direct, indirect and induced expenditures.
    - Hundreds of jobs created and an estimated $15.8 million in wages and self employment income created.

Marion County*	Direct Impact	Indirect Impact	Induced Impact
Impacts	Impact of expenditures on the Project	Impact of expenditures by businesses performing direct works on the Project	Impact on all local industries caused by expenditures from new income generated by direct and indirect impacts.
Impact Examples	(i.e. drywall)	(i.e. drywall supplier's gas for delivery truck)	(i.e. automobile purchased locally by employee of drywall supplier)

*Economic Impacts estimated utilizing IMPLAN version 2 software and is based on a study area of Marion County, Indiana. IMPLAN is an input-output based impact analysis tool utilized by the Federal Government, 40 states, over 100 colleges and universities and numerous local governments and private organizations. Indiana Department of Workforce Development is listed as a client of IMPLAN.

INVESTMENT GUARANTY

- City of Indianapolis Effective Yield Guaranty
  - Investor Benefits derived from Tax Credits, Depreciation and Operating Losses, not Project Cash Flow.
- Guaranty Fee of $1,536,528 payable to the City of Indianapolis at close
- Why is Guaranty Necessary?
  - Difficult Equity Market
  - Will attract new Investment to Indianapolis
  - Investment Marketability & Creditworthiness
    - AA credit rating
  - Tax Credit Investor Accounting Treatment


Questions & Comments
Thank you.
Indianapolis Housing Agency